

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-05 INR-07 L-03
ACDA-07 NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06
TRSE-00 EB-08 OMB-01 CAB-02 COME-00 DODE-00
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FM USMISSION NATO
TO SECSTATE WASHDC PRIORITY 5812
SECDEF WASHDC PRIORITY
INFO CINCLANT NORFOLK VA
USLOSACLANT NORFOLK VA
AMEMBASSY REYKJAVIK
USNMR SHAPE BE
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 01 OF 02 NATO 08678

E.O. 11652: GDS
TAGS: MPOL, NATO, IC
SUBJECT: ICELANDIC DEMARCHE TO SYG LUNS ON US ASSISTANCE
FOR CIVILIAN AIR TERMINAL CONSTRUCTION

REF: REYKJAVIK 1175 DTG 280912Z AUG 77 (NOTAL)

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SUMMARY: DURING SYG LUNS' VISIT TO ICELAND IN AUGUST, GOI
MINISTERS RAISED WITH HIM LONG-STANDING ISSUE OF US
FINANCIAL ASSISTANCE FOR CONSTRUCTION OF A CIVILIAN AIR
TERMINAL AT KEFLAVIK AND REQUESTED HIS ASSISTANCE IN
APPROACHING US AUTHORITIES. PRIME MINISTER HALLGRIMSSON
REAFFIRMED TO LUNS HE INTENDS TO RAISE THE ISSUE WHEN HE
MEETS WITH THE SECRETARY LATER THIS MONTH (REFTEL). END
SUMMARY.

1. DURING CONVERSATION WITH THE AMBASSADOR ON SEPTEMBER 9,
SYG LUNS RELATED A RECENT ICELANDIC DEMARCHE REQUESTING
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HIS AID IN URGING THE US TO RECONSIDER ITS DECISION NOT TO
PROVIDE ASSISTANCE IN FINANCING CONSTRUCTION OF A CIVILIAN
AIR TERMINAL AT KEFLAVIK. THE CONFIDENTIAL DISCUSSION
WHICH LUNS HAD WITH PRIME MINISTER HALLGRIMSSON AND
FOREIGN MINISTER AGUSTSSON OCCURRED ON AUGUST 27 WHILE
LUNS WAS IN REYKJAVIK TO ATTEND THE ATLANTIC TREATY
ASSOCIATION ASSEMBLY.

2. THE TWO ICELANDIC OFFICIALS ALLUDED TO LUNS' PRIOR ASSISTANCE IN DEALING WITH THE LAST TWO COD WARS AND ASKED FOR HIS HELP IN DEALING WITH A MATTER "OF GREAT IMPORTANCE TO THE ICELANDIC GOVERNMENT". THE FOREIGN MINISTER CITED THE IMPROVEMENTS WHICH THE US HAD MADE TO THE CIVILIAN AIRPORT AND ACCESS ROADS AS A PART OF THE AGREEMENT, AND EXPLAINED THAT GOI EFFORTS TO BUILD A NEW CIVILIAN AIR TERMINAL AT ITS OWN EXPENSE HAD BEEN THWARTED BY INFLATION, THE "INDIFFERENT" ECONOMIC SITUATION AND DRAMATIC INCREASES IN MANPOWER COSTS. THE ICELANDIC GOVERNMENT IS NOW HAVING DIFFICULTY RAISING THE 25 MILLION DOLLARS NEEDED TO CONSTRUCT THE BUILDING. BOTH ICELANDIC OFFICIALS ADMITTED THAT LEGALLY THEY HARDLY HAD A CASE TO EXPECT ASSISTANCE BUT THEY WERE DISAPPOINTED BY THE RECENT US RESPONSE. THEY WERE PESSIMISTIC ABOUT THE CHANCES FOR US AID. HOWEVER, THEY CITED NEXT YEAR'S ELECTIONS AND EARLY INDICATIONS THAT BOTH THE COALITION GOVERNMENT AND THE US WOULD BE UNDER HEAVY ATTACK IF A SOLUTION IS NOT FOUND AS JUSTIFICATION FOR SEEKING LUNS' INTERVENTION WITH THE US.

3. LUNS AGREED THAT THEY DID NOT APPEAR TO HAVE A LEGAL CASE AND EXPRESSED THE VIEW THAT IF THE US DID ASSIST, IT WOULD BE AN EX GRATIA GESTURE. HE STATED THAT HE WAS DEEPLY CONSCIOUS OF THE GREAT VALUE TO THE ALLIANCE OF THE US MILITARY PRESENCE IN ICELAND AND PROMISED TO APPROACH CONFIDENTIAL

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WASHINGTON IN SOME WAY.

4. WHEN LUNS ASKED IF AMERICAN AUTHORITIES OTHER THAN THE DEPARTMENT OF STATE HAD BEEN APPROACHED, FOREIGN MINISTER AGUSTSSON RESPONDED THAT HE HAD ALSO EXPLAINED THE SITUATION TO ADMIRAL KIDD WHOSE REACTION WAS "RATHER NON-COMMITTAL". THE ICELANDIC MINISTERS SUGGESTED TO LUNS THE POSSIBILITY THAT THE ASSISTANCE MIGHT BE VIEWED NOT AS AN OUTRIGHT GIFT BUT RATHER AS COMPENSATION FOR OTHER FACILITIES WHICH THE AMERICAN GARRISON ENJOYS IN KEFLAVIK. THEY ALLUDED TO THE RECENT US DCA WITH GREECE WHICH WOULD PROVIDE "IMPORTANT FINANCIAL COMPENSATION" FOR THE USE OF AMERICAN BASES IN THAT COUNTRY. LUNS POINTED OUT THERE WAS A DIFFERENCE: GREECE MAINTAINS VERY IMPORTANT MILITARY FORCES WHILE THE BASE FACILITIES WERE ICELAND'S ONLY CONTRIBUTION TO THE COMMON DEFENSE OF THE ALLIANCE. THE ICELANDIC MINISTERS INDICATED THAT AN IMPORTANT SEGMENT OF PUBLIC OPINION IN THEIR COUNTRY FEELS THAT THE AMERICAN BASES MAINLY SERVE US DEFENSE INTERESTS. LUNS STATED THAT THIS DID NOT DIMINISH THEIR GREAT VALUE TO ICELAND.

5. LUNS THEN INQUIRED WHETHER A SOFT LOAN MIGHT BE A

SOLUTION. THE MINISTERS AGREED THAT THIS WAS A POSSIBILITY. THE PRIME MINISTER INDICATED THAT WHEN IN WASHINGTON ON SEPTEMBER 19 HE WOULD AGAIN RAISE THE ISSUE. LUNS PROMISED TO APPROACH WASHINGTON THROUGH AMBASSADOR BENNETT BEFORE THAT DATE AND SAID HE WOULD ALSO BRING THE ISSUE TO THE ATTENTION OF THE MAJOR NATO COMMANDERS AT ONE OF HIS REGULAR LUNCHEONS WITH THEM DURING SEPTEMBER.

6. THE AMBASSADOR THANKED LUNS AND SAID HE WOULD PROVIDE THE FOREGOING TO WASHINGTON.

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C O N F I D E N T I A L SECTION 02 OF 02 NATO 08678

7. COMMENT: THE ICELANDIC DELEGATION HAS NOT MADE A SEPARATE DEMARCHETO US.

8. ACTION REQUESTED: THE AMBASSADOR'S RECENT VISIT TO REYKJAVIK HAS CONVINCED US THAT ALLIES OTHER THAN THE US CAN AND SHOULD PLAY A LARGER ROLE IN ASSURING THAT ICELAND CONTINUES TO SEE ITS OWN SECURITY INTERESTS AS PARALLEL TO THOSE OF THE ALLIANCE. IF WASHINGTON CONCURS, WE INTEND TO RETURN TO LUNS AT AN EARLY DATE TO PURSUE THE ISSUE FURTHER. SPECIFICALLY, WE WILL URGE LUNS TO A) START THINKING ABOUT HOW HE AND OTHER ALLIES MIGHT PLAY A MORE ACTIVE EDUCATIONAL ROLE IN CONVINCING ICELAND OF THE CONTINUING VALUE OF NATO PARTICIPATION AND B) CONSIDER RAISING WITH SELECTED ALLIES SUCH AS NORWAY, CANADA AND DENMARK THE

BENEFITS FOR THEMSELVES OF GREATER TANGIBLE INTEREST IN
ICELAND'S DEFENSE NEEDS.BENNETT

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